

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

Docket No. _____

In re: Application of Chem-Nuclear Systems,)	
LLC, an EnergySolutions company, for)	
Adjustment in the Levels of Allowable)	
Costs and for Identification of Allowable)	APPLICATION
Costs)	(For Fiscal Year 2014-2015)
_____)	

Pursuant to the provisions of S.C. Code Ann. § 48-46-40(B)(4) (Rev. 2008 & Supp. 2013), Chem-Nuclear Systems, LLC, an EnergySolutions company, (“Chem-Nuclear” or the “Company”) submits this Application for adjustment in the levels of certain “allowable costs” and for the identification of certain “allowable costs” for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. In support of the relief which it requests in this Application, Chem-Nuclear would respectfully show unto this honorable Commission:

1. On June 6, 2000, the Governor of the State of South Carolina signed the Atlantic Interstate Low-Level Radioactive Waste Compact Implementation Act (the “Act”). The Act is codified as S.C. Code Ann. §§ 48-46-10, *et seq.* (Rev. 2008), as amended.

2. Section 48-46-40(B)(1) of the Act authorizes and directs the Commission “to identify allowable costs for operating a regional low-level radioactive waste disposal facility in South Carolina.” Section 48-46-30(1) defines “allowable costs” as “costs to a disposal site operator of operating a regional disposal facility.” Under that definition, such costs “are limited to costs determined by standard accounting practices and regulatory findings to be associated with facility operations.”

3. Section 48-46-40(B)(3) of the Act provides that “allowable costs” expressly include the costs of certain specifically identified activities necessary in the operation of a low-level radioactive waste disposal facility. That Section also provides that “allowable costs” include “any other costs directly associated with disposal operations determined by [the Commission] to be allowable.”

4. Chem-Nuclear operates a regional low-level radioactive waste disposal facility in Barnwell County, South Carolina (the “Facility”). Consequently, the Commission has the authority to identify the “allowable costs” for the Company’s operation of the Facility.

5. The Facility is located on a tract of land consisting of approximately 235 acres which the State of South Carolina owns and which the Company leases from the South Carolina Budget and Control Board (the “Board”). The 235-acre site includes areas for various operations, including completed disposal trenches, potential trench areas, ancillary facilities, water management areas and buffer zone areas.

6. The Company conducts its operations at the Facility under South Carolina Radioactive Material License 097 (“License 097”) by which the South Carolina Department of Health and Environmental Control (“DHEC”) has authorized receipt, storage and disposal of low-level radioactive waste at the Facility. License 097 contains numerous technical conditions and specifications for management of waste at the Facility. In addition to the requirements of License 097, the Facility is subject to DHEC’s regulations in 24A S.C. Code Reg. 61-63 (Rev. 2008). DHEC’s regulations are compatible with the provisions of “Licensing Requirements for Land Disposal of Radioactive Wastes,” which the United States Nuclear Regulatory Commission (“NRC”) originally promulgated in 10 C.F.R. Part 61, and DHEC has adopted most of those provisions and enforces them through its own regulations under an agreement with the NRC.

7. On June 3, 2014, the Commission issued its Order No. 2014-451 in Docket No. 2013-13-A. In that Order, the Commission identified certain categories of “allowable costs” and identified levels of “allowable costs” within those categories. Order No. 2014-451 approved certain rates for variable allowable costs and identified the sum of \$3,319,732 for total fixed allowable costs for the 12 months ending June 30, 2014. The Order also approved irregular costs of \$233,250 as allowable costs.

8. S.C. Code Ann. § 48-46-40(B)(4) (Rev. 2008) provides that an operator of a low-level radioactive waste disposal site may apply for adjustments in the levels of “allowable costs” that the Commission has identified for the previous fiscal year and for identification of costs that the Commission has not previously identified as “allowable costs.” Upon approval of such application, Section 48-46-40(B)(4) requires the Commission to authorize the site operator to adjust its “allowable costs” for the current fiscal year to compensate the site operator for revenues lost during the previous fiscal year.

9. For the purposes of this Application and its Exhibits, the Company has used the cost categories that the Commission approved in Order No. 2014-451, which were based on the recommendations of the parties to the Collaborative Review of the Company’s Operations and Efficiency Plan (“OEP”).

10. During the Company’s recently concluded Fiscal Year 2013-2014 (*i.e.*, the twelve months ending June 30, 2014), the Company’s actual “allowable costs” in those categories that the Commission identified in Order No. 2014-451 for fixed costs were \$3,375,112.48. By this Application, the Company requests the Commission to approve the levels of actual fixed allowable costs for Fiscal Year 2013-2014 to permit the Company to be compensated for those allowable fixed cost components identified in Order No. 2014-451, as authorized by Section 48-46-40(B)(4). Consequently, the Company proposes an adjustment of \$55,380.48 for allowable fixed costs in this Application.

11. With respect to those allowable costs which Order No. 2014-451 characterized as irregular costs, the Company incurred total irregular costs for Fiscal Year 2013-2014 which are \$16,815 less than the costs identified in Order No. 2014-451. Therefore, the Company requests no adjustment for irregular costs in this Application.

12. With respect to the allowable costs that Order No. 2014-451 characterized as variable labor and non-labor costs, which are dependent upon volumes of waste buried, the Company incurred actual costs in the category of variable labor and non-labor costs in Fiscal Year 2013-2014 of \$232,142.14, which is \$65,281.11 more than the costs identified in Order No. 2014-451, using the variable cost rates identified by the Commission in that Order for categories of waste and using the volumes of waste buried in Fiscal Year 2013-2014. Therefore, the Company requests an adjustment of \$65,281.11 for variable labor and non-labor costs in this Application.

13. With respect to vault costs, Order No. 2014-451 established certain variable cost rates for each type of waste disposed at the Facility. By applying those rates to the volumes of each type of waste received in Fiscal Year 2013-2014, the Company calculated a total cost for routine disposal vaults of \$352,518.26. Based on the Company's actual experience in Fiscal Year 2013-2014, the Company incurred a cost of \$188,629.52 for routine disposal vaults. Therefore, the Company proposes no adjustment for this category.

14. The Company has attached to this Application three (3) exhibits pertaining to the adjustments and identification of the categories of "allowable costs" for its disposal operations.

15. **Exhibit A** to this Application describes in detail the Company's proposed adjustments for the recovery of its actually incurred costs for fixed, variable and irregular costs to reflect the differences between the level of "allowable costs" identified in Order No. 2014-451 and the level of the Company's actually incurred costs in Fiscal Year 2013-2014. Exhibit A also

provides the rates for variable costs which were contained in Order No. 2014-451.

16. **Exhibit B** describes the actual irregular costs which the Company incurred in Fiscal Year 2013-2014, organized by project number.

17. **Exhibit C** depicts the total fixed costs, irregular costs and variable cost rates that the Company proposes for identification and approval for Fiscal Year 2014-2015.

18. For Fiscal Year 2014-2015, the Company requests identification as “allowable costs” a total of \$3,685,110.24 as allowable fixed costs, as depicted in Exhibit C. Exhibit C also identifies variable material cost rates and variable waste dependent labor rates for Fiscal Year 2014-2015. Irregular costs for Fiscal Year 2014-2015 anticipated at the time of this Application are \$308,000, as specified in Exhibit C. The irregular costs will be discussed in detail in pre-filed testimony. The costs and amounts in Exhibits A and C are consistent with the description of “allowable costs” in Section 48-46-40(B)(3), and they have been determined by standard accounting practices and are consistent with the recommendations of the Collaborative Review of the OEP as the Commission approved in Order No. 2004-349 in Docket No. 2000-366-A.

WHEREFORE, Chem-Nuclear Systems, LLC, an *EnergySolutions* company, respectfully prays unto this honorable Commission:

1. To review the Company’s Application and issue its Order, under S.C. Code Ann. § 48-46-40(B)(4) (Rev. 2008), recognizing the levels of “allowable costs” as depicted in Exhibit A for Fiscal Year 2013-2014, and identifying the levels of irregular costs in Exhibit B for Fiscal Year 2013-2014, and identifying as “allowable costs” those costs depicted in Exhibit C for Fiscal Year 2014-2015.

2. For such other and further relief as is just and proper.

Respectfully submitted,

s/ J. David Black

J. David Black

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Columbia, South Carolina

**EXHIBIT A:
FISCAL YEAR 2013-2014 COSTS**

Fixed Costs: \$55,380.48 Adjustment Proposed

Fixed costs, subject to a 29% operating margin, were incurred in fiscal year 2013-2014 in the general categories of labor-related costs, non-labor costs, costs allocated from corporate functions, equipment leases and support, depreciation and insurance. Fixed costs, **not** subject to a 29% operating margin, were incurred in fiscal year 2013-2014 in the category of legal support. The following table compares the actual costs incurred to the costs identified as allowable in Commission Order No. 2014-451:

	Commission Order No. 2014-451	Actual Costs Incurred in FY 2013-2014	Adjustment Proposed
Labor, Fringe and Non-labor	\$2,075,258	\$2,084,940.46	
Corporate Allocation (G&A)	\$590,777	\$611,519.03	
Equipment leases and support	\$191,200	\$177,642.35	
Depreciation	\$76,972	\$72,826.46	
Insurance	\$352,509	\$394,367.18	
Subtotal (Fixed Cost subject to 29% margin)	\$3,286,716	\$3,341,295.48	
Legal Support	\$33,016	\$33,817	
Subtotal (Fixed Cost not subject to 29% margin)	\$33,016	\$33,817	
Total Fixed Costs	\$3,319,732	\$3,375,112.48	\$55,380.48

The actual Fixed Costs incurred during fiscal year 2013-2014 were **\$3,375,112.48**. This amount is **\$55,380.48** more than the amount identified in Order Number 2014-451. Therefore, an adjustment of **\$55,380.48** is requested in this category of costs.

Variable Costs: Variable Labor and Non-Labor Costs

\$65,281.11 Adjustment Proposed

Commission Order No. 2014-451 identified the following categories of rates for projecting Variable Labor and Non-Labor costs: vault purchase and inspection (per vault), ABC waste disposal (per shipment), slit trench operations (per slit trench offload), customer assistance (per shipment), and trench records (per container).

The following table illustrates the Variable Labor and Non-Labor costs that would be calculated using the Variable Labor and Non-Labor rates identified in Order No. 2014-451 and the FY 2013-2014 actual number of units in each category.

	Units	Variable Cost Rate in Commission Order No. 2014-451	Calculated Cost
Vault Purchase & Inspection (per vault)	49	\$156.21	\$7,654.29
ABC Waste Disposal (per shipment) (total shipments, less slit trench shipments, less irregular project shipments)	46	\$1,190.82	\$54,777.72
Slit Trench Operations (per slit trench offload)	2	\$40,000.00	\$80,000.00
Customer Assistance (per shipment)	46	\$93.94	\$4,321.24
Trench records (per container)	77	\$261.14	\$20,107.78
Total Calculated Variable Labor and Non-labor Cost			\$166,861.03

The actual Variable Labor and Non-Labor costs experienced in the disposal of waste in fiscal year 2013-2014 resulted in a Total Variable Labor and Non-Labor Cost of **\$232,142.14**. This amount is **\$65,281.11** more than the amount that would have been anticipated based on rates provided in Commission Order 2041-451. Therefore, Chem-Nuclear requests an adjustment of **\$65,281.11** in this category of costs.

Vault Costs

No Adjustment Proposed

The following table illustrates the vault costs that would be calculated using the Variable Cost rates identified in Commission Order No. 2014-451 and the actual FY 2013-2014 volumes of waste received in each respective category.

	Volume Received (cubic feet)	Variable Cost Rate in Commission Order No. 2014-451	Calculated Cost
Class A waste	7,193.139	\$37.34	\$168,591.81
Class B waste	557.2	\$48.47	\$27,007.48
Class C waste	628.36	\$52.15	\$32,768.97
Slit Trench waste	115	\$210.00	\$24,150.00
Irregular Components (in vaults as an irregular cost)		N/A	
Irregular Components (not in vaults)		N/A	
Total Calculated Vault Cost			\$352,518.26
Total Volume (cubic feet)	8,493.70		

The total cost incurred for routine disposal vaults used during fiscal year 2013-2014 was **\$188,629.52**. This amount is **\$163,888.74** less than the amount that would have been anticipated based on rates provided in Commission Order 2014-451. Therefore, Chem-Nuclear requests no adjustment in this category of cost.

Irregular Costs

No Adjustment Proposed

The following table summarizes the Irregular Costs incurred in fiscal year 2013-2014 organized by projects. Exhibit B provides additional descriptions of each of these irregular projects.

Irregular Cost Item	Order No. 2014-451	Actual FY 13-14 Labor	Actual FY 13-14 Non-Labor	Total Cost FY 13-14
Trenches (design, construct, and backfill): Trench 99.	\$ 96,250	\$ 14,322	\$ 35,475	\$ 49,797
License Renewal and Appeal costs	\$ 10,000	\$ -	\$ -	\$ -
Decontamination and Corrective Actions	\$ 5,000	\$ 1,289	\$ 31	\$ 1,320
Trench records Software	\$ -	\$ 669	\$ 3,816	\$ 4,485
Site Eng & Drawing Updates	\$ 97,000	\$ 224	\$ 311	\$ 535
Site Maintenance	\$ -	\$ 27,188	\$ 67,915	\$ 95,103
Site Assessments	\$ 5,000	\$ -	\$ -	\$ -
Severance	\$ -	\$ 65,197	\$ -	\$ 65,197
Other Irregular	\$ -	\$ (2)	\$ -	\$ (2)
Miscellaneous	\$ 20,000	\$ -	\$ -	\$ -
Total Irregular Costs	\$ 233,250	\$ 108,888	\$ 107,548	\$ 216,435

The total Irregular Costs incurred in fiscal year 2013-2014 were **\$216,435** compared to the amount identified in Commission Order No. 2014-451 of **\$233,250**. Chem-Nuclear, therefore, requests no adjustment in Irregular Costs.

EXHIBIT B:
FISCAL YEAR 2013-2014 IRREGULAR COSTS
ORGANIZED BY PROJECT

PROJECT NUMBERS	PROJECT NAME AND EXPLANATIONS
188701.8028 188701.8029 188702.8030	Trench Construction and Backfill Operations (Labor \$14,321.97 and Non-Labor \$35,475.15) Trench construction activities in fiscal year 2013-2014 included design, construction and backfill (including use of free flowing sand where applicable) in Trench 99 and construction of Slit Trench 37.
188000.8003	Decontamination and Corrective Actions (Labor \$1,289.41 and Non-labor \$31.00) Includes cost related to decontamination efforts and corrective actions required as a result of waste received for disposal.
188000.8013	Trench Records Software (Labor \$669.07 and Non-labor \$3,815.61) Cost provides the maintenance and support for trench records database and reporting software.
188004.8001	Site Eng & Draw Updates (Labor \$224.19 and Non-Labor \$310.70) Cost related to updates needed for site drawings.
188004.8002	Site Maintenance (Labor \$27,187.96 and Non-Labor \$67,915.12) Site Maintenance costs include new admin building carpeting, slit trench equipment storage building, parking lot improvements and air conditioning unit repairs.
952186.0001*	Site Admin* (Labor \$65,196.80) *Severance was coded to the incorrect project number/name in Fixed Costs (Site Admin). However, Severance should have been coded to the Severance project number in Irregular Costs, as has been the practice in past applications.
952182.8002	Other Irregular (Labor \$-1.61) Fringe rate true-up

EXHIBIT C:
PROPOSED FISCAL YEAR 2014-2015 COSTS

We propose the following amounts be identified as allowable costs for fiscal year 2014-2015:

FIXED COSTS	
Fixed Costs to which 29% operating margin is added	
Labor, Fringe and Non-Labor	\$2,147,488.67
Corporate Allocations (Management Fees/G&A)	\$629,864.57
Depreciation	\$79,730.00
Insurance	\$394,367.00
Equipment Leases and Support	\$333,660.00
Fixed Costs to which 29% operating margin is not added	
Legal Support	\$100,000.00
Total Fixed Costs	\$3,685,110.24
IRREGULAR COSTS	
Trench Construction	\$150,000.00
License Appeal	\$100,000.00
Decontamination & Corrective Action	\$2,000.00
Trench Software	\$5,000.00
Site Eng & Drawing Updates	\$1,000.00
Site Maintenance	\$50,000.00
Total Irregular Costs	\$308,000.00
VARIABLE COSTS	
Variable Labor and Non-Labor Rates	
Vault Purchase and Inspection (per vault)	\$347.79
ABC Waste Disposal (per shipment)	\$2,420.16
Slit Trench Operations (per slit trench offload)	\$38,464.87
Customer Assistance (per shipment)	\$121.77
Trench Records (per container)	\$366.31
Variable Material Cost Rates (Vaults)	
Class A Waste (per cubic foot)	\$35.20
Class B Waste (per cubic foot)	\$48.16
Class C Waste (per cubic foot)	\$57.56
Slit Trench Waste (per cubic foot)	\$153.18